

Key legislative developments in the UAE

Afridi & Angell's James Bowden highlights four of the latest legal updates

In the past year the UAE saw an unusual number of important legislative developments. For this feature, we have picked a few of the key developments to summarise briefly. This is by no means exhaustive.

1. NEW COMPANIES LAW (UAE FEDERAL LAW NO. 2 OF 2015)

The new Companies Law (new law) came into force on 1 July 2015, replacing the previous law (UAE Federal Law No. 8 of 1984) and providing a comprehensive new regime for commercial companies in the UAE. The new law does not contain the dramatic change that some expected – lifting or easing of the local ownership requirement for onshore companies. However, there are some noteworthy changes that deserve attention. As LLCs are most common in the UAE, we will focus on changes that impact LLCs.

The changes address corporate governance, the regulation of public companies, and a variety of adjustments to the operations and documentation of existing companies, such as: (1) LLCs can now be owned by a single corporate or individual shareholder and a new holding company vehicle has been introduced; (2) shares in LLCs may be pledged to third parties; (3) there is now a companies' registrar (though the details are yet to be developed); (4) the government can now own shares in any type of company, and the par value of a share in a company (not an LLC) must now be between AED1 and AED100.

Investors in LLCs will have to consider the implications of the new law on their existing documentation and new companies formed will need their documentation to comply with the new law by 30 June this year. In some cases, investors in existing LLCs may wish to change their documentation to take advantage of some of the features of the new law, such as the facility to pledge shares.

Even though the new law has technically taken effect, much of the detailed implementation remains unclear. There remains great potential for further change under the provisions of this new law.

2. DUBAI DATA LAW

The Dubai Data Law (Dubai Law 26 of 2015), was announced in October 2015 to require and provide for the sharing of data with and among Dubai government entities, with a view to creating a better Smart City of Dubai. Dubai recently issued Law No (2) of 2016, establishing Dubai Data Establishment to lead the initiative. These developments

should be viewed in the context of existing federal and emirate-level data governance and protection laws that have been enacted over the past few years. There is increasing recognition of the importance of data protection regulation in Dubai, and we can look forward to further developments in both the public and private sectors, in line with privacy and data protection regulations in other global financial centres.

3. DUBAI PUBLIC-PRIVATE PARTNERSHIP LAW (DUBAI LAW NO. 22 OF 2015)

Dubai has passed a law introducing public-private partnerships in the form of Law No. 22 of 2015 (the PPP Law), regulating partnerships between the public and private sectors in energy and infrastructure projects in the emirate of Dubai.

Historically, the government developed and self-financed the vast majority of major infrastructure projects in the UAE. The PPP Law represents an attempt by Dubai to reduce the financing needs of the government, and to tap into the expertise and efficiency of the private sector in carrying out projects. This new framework presents potentially exciting opportunities for larger players.

4. FORMATION OF THE ADGM

On 15 June 2015 the Abu Dhabi Global Market (ADGM), the new financial free zone located on Al Maryah Island in Abu Dhabi, announced its first phase of activities (non-financial services), having then finalised and published its initial set of regulations. In October 2015, the draft financial services regulations that were issued for public comment were adopted as the Financial Services and Markets Regulations and Financial Services Regulatory Authority (FSRA) Rules, establishing the legislative and regulatory framework of the market. On 21 October 2015 the ADGM began accepting and approving financial service license applications through its FSRA.

The issuance of financial services licenses solidifies the ADGM's establishment as a financial centre.

On 30 December 2015, the ADGM board approved and enacted ADGM Courts Regulations and Rules and Arbitration Regulations. These developments for the ADGM courts added another important milestone for ADGM, namely, the establishment of a judiciary and system of law that is founded upon longstanding, recognised and accepted principles of law at the heart of which is the impartiality,



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independence and integrity of the judges of the ADGM Courts. Importantly, the ADGM courts recently announced the signing of a memorandum of understanding with the Abu Dhabi federal department for, among other things, reciprocal enforcement of judgments and arbitral awards.

The ADGM will be worth watching carefully in the coming years as it could offer serious competition to the Dubai International Financial Centre.

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